

Members

Sen. Kent Adams, Chairperson
Sen. Glenn Howard
Rep. Richard Mangus
Rep. Dale Sturtz
Marvin Gobles
David Rector
Gary Redding
Tom Anderson
Travis Worl
Cheryl Devol-Glowinski
Dick Van Frank
John Fekete
Arthur Smith, Jr.
John Stafford
Darryl Dasher
Andy Knott
Tony Sullivan
Shirley Welker
Stan Pinegar
Bernie Paul
Grant Smith
Rick Martin
Mike Sandefur
Bryan Tabler
Tom Easterly
Janet McCabe
Dan Weiss



AIR SUBCOMMITTEE OF THE ENVIRONMENTAL QUALITY SERVICE COUNCIL

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 232-9588 Fax: (317) 232-2554

LSA Staff:

Craig Mortell, Attorney for the Council
Bernadette Bartlett, Fiscal Analyst for the Council
Jeff Miller, Council Intern

Authority: P.L. 248-1996 (SEA 138); EQSC
Minutes, June 29, 1999

MEETING MINUTES¹

Meeting Date: September 22, 1999
Meeting Time: 10:00 A.M.
Meeting Place: Governmental Center South, 302 W.
Washington St., Conference Center Rooms 4
and 5
Meeting City: Indianapolis, Indiana
Meeting Number: 4

Members Present: Sen. Kent Adams, Chairperson; Marvin Gobles; Arthur Smith, Jr.; Andy Knott; Stan Pinegar; Grant Smith; Janet McCabe.

Members Absent: Sen. Glenn Howard; Rep. Richard Mangus; Rep. Dale Sturtz; David Rector; Gary Redding; Tom Anderson; Travis Worl; Cheryl Devol-Glowinski; Dick Van Frank; John Fekete; John Stafford; Darryl Dasher; Tony Sullivan; Shirley Welker; Bernie Paul; Rick Martin; Mike Sandefur; Bryan Tabler; Tom Easterly; Dan Weiss.

The meeting was convened at approximately 10:00 a.m. Tim Method, Deputy Commissioner of the Department of Environmental Management (IDEM), acted as host for the meeting at the invitation of Senator Adams, the Chairperson of the Subcommittee.

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Mr. Method explained that the purpose of the meeting was to hear presentations from two speakers about the air emissions credit programs in the states of Michigan and Illinois. He then introduced the speakers.

The first speaker was **Louis Jager** of the Air Quality Division of the Michigan Department of Environmental Quality. Projecting slides on a screen to illustrate his remarks, Mr. Jager made the following points:

- Efforts to establish the Michigan Open Market Air Trading Program began in 1993.
- The program is currently undergoing review by the U.S. EPA as a State Implementation Plan revision.
- The purposes of the program are: attainment and maintenance of national ambient air quality standards; providing market-based incentives to reductions in air emissions; producing early emission reductions and innovations; and providing operational flexibility to the regulated community.
- The program:
 - ▶ is voluntary;
 - ▶ is based on an open market model;
 - ▶ involves all the "criteria pollutants" (sulfur dioxide, particulate matter, nitrogen dioxide, carbon monoxide, and lead) and volatile organic compounds (which produce ozone);
 - ▶ involves stationary sources, area sources, and mobile sources; and
 - ▶ covers the entire state (including "nonattainment" areas and areas in attainment); and
 - ▶ includes provisions for interstate trading.

The second speaker was **Don Sutton** of Illinois Environmental Protection Agency. Mr. Sutton spoke about the air emissions credit program of Illinois, which is called the Emissions Reductions Market System (ERMS). He made the following points:

- ERMS is limited to the Chicago area and is focused on reducing ozone by reducing the emissions of volatile organic material (VOM).
- ERMS is a "cap and trade" program, which differs from open market programs like the Michigan program.
- ERMS is directed only at major stationary sources of VOMs located in the Chicago area. Participation is mandatory for sources meeting threshold emissions criteria. However, a major stationary source may be exempted from ERMS by undertaking certain emission reductions.
- Each year, starting with the 1999 ozone season (May 1 through September 30), each participating source will be issued a certain number of *allotment trading units* (ATUs). One ATU equals 200 pounds of VOM emissions.
- The number of ATUs issued to a source will be established from historical VOM emissions or "baseline emissions" lowered to provide for the emission reduction required from stationary sources in 1999.
- For each ozone season, a participating source will be required to hold ATUs to cover all of its actual VOM emissions. A participating source cannot emit VOMs in excess of the ATUs it holds.
- Surplus ATUs may be sold to other sources or banked for use in the following season. Participating sources that can reduce VOM emissions at a relatively low cost will have an incentive to reduce their VOM emissions and sell their surplus trading units to other sources. Participating sources that can reduce VOM emissions only at a high cost will save money by purchasing surplus ATUs rather than actually making reductions.
- Overall, ERMS will reduce the quantity of VOM emissions in the Chicago area because the number of ATUs allotted to sources will be reduced each year.

Mr. Jager and Mr. Hutton answered questions at the conclusion of their presentations. The meeting was then adjourned.